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CLERK OF COURT  
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IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF OHIO  
EASTERN DIVISION

UNITED STATES OF AMERICA,	)	<u>I N F O R M A T I O N</u>
	)	
Plaintiff,	)	CASE NO. <b>1:07CR464</b>
	)	
v.	)	JUDGE <b>JUDGE LIOI</b>
	)	
STEPHEN J. GLANTZ,	)	Title 15, Sections 78j(b) and 78ff, United
	)	States Code, Title 17, Code of Federal
Defendant.	)	Regulations, Section 240.10b-5; Title 18,
	)	United States Code, Section 1001

The United States Attorney charges:

I. BACKGROUND

At all times material to this Information:

A. Relevant Persons and Entities

1. Ferris, Baker Watts, Inc. ("FBW") was a Delaware corporation, headquartered in Washington, D.C. FBW was a full-service investment banking company and was registered with the United States Securities and Exchange Commission ("SEC") as a broker-dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934 and as an investment adviser pursuant to

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Section 203(a) of the Investment Adviser Act of 1940. FBW maintained branch offices in several states, including Ohio and Maryland.

2. IPOF Fund ("IPOF"), an Ohio limited partnership, was an Investment Company as that term is defined in Section 202 of the Investment Company Act of 1940 ("the Act"), codified at Title 15, United States Code Section 80a-7(a), and regulations promulgated by the SEC. IPOF engaged in the business of investing, reinvesting, and trading in securities with an emphasis on initial public offerings and large "block" equity day trading, meant to derive a profit from small price movements in stocks. IPOF was not registered with the SEC as an Investment Company or in any other capacity. David A. Dadante was the President, Founder, sole General Partner, and Investment Manager of IPOF, (hereinafter referred to collectively as "Dadante" or "IPOF").

3. Dadante was an Investment Adviser as that term is defined in Section 202 of the Investment Advisers Act of 1940 ("the Act"), codified at Title 15, United States Code, Section 80b-2, and regulations promulgated by the SEC. Dadante provided investment advisory services to IPOF and the IPOF limited partners. Dadante was not registered with the SEC as an Investment Adviser.

4. The defendant, STEPHEN J. GLANTZ, was a resident of Chagrin Falls, Ohio and Phoenix, Maryland. GLANTZ was a Registered Representative with FBW, working out of FBW branches in Beachwood, Ohio, Baltimore, Maryland, and Hunt Valley, Maryland. GLANTZ was registered with the National Association of Securities Dealers ("NASD"), holding the following licenses: a Series 7, Series 63, Series 1, and Series 65. GLANTZ was also registered with the state of Ohio. Prior to working at FBW, GLANTZ was a Registered Representative at Advest.

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B. IPOF Brokerage Accounts

5. The IPOF Fund and its manager maintained various brokerage accounts at FBW, Advest, McDonald Financial Group, Questar, Merrill Lynch, Ancora (f.k.a. Pershing), Wachovia Securities, and H & R Block, all of which operated within the Northern District of Ohio. These brokerage firms also maintain operations throughout the United States. GLANTZ was the designated Registered Representative on several accounts as indicated (\* denotes GLANTZ accounts). These brokerage accounts are as follows:

Brokerage House	Account Number	Account Name
Advest	XXX-X2334	D&D Publications
Advest	WBW-XXXX-6974	D&D Publishing
Advest	WBW-XX1578	IPOF Fund
Advest	WBW-XX6501*	IPOF Fund*
Ferris. Baker Watts	XXXX-1946*	IPOF Fund*
Advest	XXXX-7877	IPOF Fund
Advest	WBW-XX7612	David A. Dadante TTEE David A. Dadante Revocable Trust
Ferris. Baker Watts	XXXX-5843*	GSGI*
McDonald Investments	XXXX8243	David A. Dadante
Advest	WBW-X5110 (XXXX-6974)	D&D Publications
Questar	XXX-XX8396	David A. Dadante Revocable Trust
Merrill Lynch	XXX-X2420	Dave Dadante Revocable Trust
Ancora (f.k.a Pershing)	XXX-XX6149	David A. Dadante Revocable Trust
Wachovia Securities	XXXX-0487	Dave Dadante Revocable Trust
Advest	WBW-XX0176	IPOF Fund

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Brokerage House	Account Number	Account Name
H & R Block	XXXX-1758	David Dadante Revocable Trust
H & R Block	XXXX-2901	IPOF Fund
H & R Block	XXXX-7417	D&D Publications
H & R Block	XXXX-5329	David Dadante
Advest	WBW-XXXX-3901	David Dadante

C. Ferris, Baker Watts, Inc. Compliance Manual/Prohibited Transactions

6. The federal securities laws are intended to ensure honest markets and to promote investor confidence. Investors have a legitimate expectation that the prices of exchange- traded securities reflect publicly available information about the companies that issue those securities. As a registered broker-dealer, FBW adopted policies that prohibited its Registered Representatives from engaging in certain types of securities trades, and advised its employees, including GLANTZ, of their responsibilities under the federal securities laws. These policies were outlined in the Ferris, Baker Watts, Inc. Registered Representative Compliance Manual ("Manual") which FBW distributed to its employees.

7. In addition to the general prohibition against violating the rules and regulations of the securities industry, FBW specifically prohibited certain types of transactions. The Manual specifically prohibited the following types of securities transactions, among others:

Wash Sales

"Transactions between two accounts with no market risk and where there is no beneficial change in ownership may be considered a 'wash sale.'... There should be no pre-arrangement or guarantee of execution price for both sides of the transaction where there is no change in beneficial ownership. All such transactions should be executed at the risk of the market." – § 9.10.4

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*Cross-Transactions*

"Firms and their employees may not engage in a practice of effecting cross transactions for the purpose of supporting or maintaining the market price of a security." – § 9.10.5

*Marking the Close*

"Orders entered at the opening or close of the market for purposes of influencing the price of a security are prohibited." – § 9.10.6

8. FBW's Registered Representative Compliance Manual included further guidance regarding client recommendations, sometimes referred to as "solicitations."

The FBW RR Compliance Manual defines a Solicited Order as follows:

"When a transaction is recommended to a customer and the customer enters an order as a result of that recommendation, the resulting order is considered to be encouraging the customer to act on the information provided or sending a prospectus on a new issue . . . Customer orders that are solicited should be so marked on the order ticket for the transaction." – §§ 9.2.1 and 9.2.2

D. Innotrac Corporation

9. Innotrac Corp. (hereinafter referred to as Innotrac) was a full-service order fulfilment and logistics provider, incorporated in Georgia and headquartered in Duluth, Georgia. Innotrac's common stock was publicly traded under the symbol "INOC" on the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), a national securities exchange which uses the means and instrumentalities of interstate commerce. Innotrac's common stock was registered with the SEC pursuant to Section 12(g) of the Securities Exchange Act of 1934 (hereafter referred to as the "Exchange Act"), 15 U.S.C. § 78l(g). Innotrac had shareholders located throughout the United States, including the Northern District of Ohio.

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## II. THE FRAUDULENT SCHEME

10. From in or about August 2002, through in or about November 2005, the defendant, STEPHEN J. GLANTZ, and others, would and did artificially inflate and maintain the market price for Innotrac stock, raising it from a low of approximately \$2.19 per share on or about October 15, 2002, to a high of approximately \$12.00 per share on or about March 1, 2004.

### i. Initial Accumulation of Innotrac Stock

11. Based on GLANTZ' recommendation, Dadante first began trading in Innotrac stock on or about August 12, 2002, through an Advest account, #WBW-XXXXXX5157, held in the name IPOF Fund, with GLANTZ listed as the registered account representative.

12. In January 2003, GLANTZ left Advest and joined FBW. The IPOF Fund account transferred from Advest to FBW, but IPOF still maintained accounts at Advest, with RR-2 listed as the registered account representative.

13. From in or about August 2002, through November 2005, Dadante and IPOF accumulated approximately 4,176,725 shares of Innotrac stock, eventually becoming a 35 percent owner of the outstanding shares of the company.

### ii. Margin Debt Drives Market Manipulation

14. When Dadante began purchasing shares of Innotrac at Advest, a large amount of those purchases were made on margin. Margin is the act of borrowing money from the brokerage house in order to purchase securities and using those securities as collateral. Margin is governed by Federal Reserve Board regulations which, among other

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things, require a minimum level of collateral. If the investor falls below that level, the brokerage firm issues what is commonly referred to as a "margin call" (similar to calling in a loan). In order to meet that margin call, an investor can deposit more cash into the account, more securities into the account, or can liquidate some of the securities purchased on margin. Investors typically use margin to increase their purchasing power so they can own more stock without fully paying for it. Therefore, securities are owned but cash is available for other uses.

15. On or about January 1, 2003, Dadante transferred approximately 570,000 shares of Innotrac and a margin balance of approximately \$2,291,772 from his account at Advest to his newly opened account at FBW. Over the course of the next year, Dadante continued to purchase Innotrac on margin at FBW and that margin balance grew to approximately \$18,365,698 as of on or about, February 4, 2004. Dadante, assisted by GLANTZ and others, engaged in illicit trading activity, much of which was conducted to meet and avoid various margin calls for Dadante and other clients.

iii. Manipulative Trading Activity

16. As part of the scheme and artifice to defraud, GLANTZ and others utilized several manipulative techniques to artificially raise the market price of Innotrac, including Marking the Close, Wash Sales, and Cross-Transactions. GLANTZ also engaged in unauthorized trades in client accounts.

a. *Marking the Close*

17. GLANTZ and IPOF manipulated Innotrac's stock price through numerous "marking-the-close" transactions. Marking-the-close is the practice of placing orders to

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purchase a stock at the end of the trading day for the purpose of affecting the closing price of the stock. The end of the trading day for the NASDAQ is the market close at 4:00 p.m. EST.

18. From in or about August 2002, through May 2005, GLANTZ caused numerous purchases of Innotrac stock to be made in accounts in his name and in others, at or near the end of the trading day. The effect of this activity was to increase the value of Dadante's collateral (the Innotrac stock he held) which also increased his margin (or buying) power and freed up cash to make payments to IPOF investors. The increased value of his collateral also had the effect of minimizing the risk of margin calls. GLANTZ engaged in this activity at both Advest and FBW. GLANTZ would enter or cause these orders to be entered, despite the prohibition on marking the close. The following tables reflect some circumstances where GLANTZ and Dadante marked the close, including the number of shares purchased, the price, the time of the transaction, the account number, and the account name in which the orders were entered.

19. On or about February 10, 2003, just after GLANTZ transferred the account to FBW, the following trading activity occurred at the end of the day:

Quantity	Price	Time (PM)	Account #	Account Name
500	\$4.01	3:50:22	XXXX-1946	IPOF Fund
100	\$3.87	3:50:26		Non Dadante Account
100	\$4.01	3:56:23	XXXX-1946	IPOF Fund
900	\$4.01	3:56:50*	XXXX-1946	IPOF Fund

\* Last trade of the day



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Dadante attempted to mark the close at 3:50:22 p.m., but after another investor purchased shares at \$3.87, GLANTZ entered additional purchase orders of 100 and 900 shares, respectively.

20. On or about February 13, 2003, GLANTZ entered the following trades:

Quantity	Price	Time (PM)	Account #	Account Name
400	\$4.22	3:37:56	XXXX-1946	IPOF Fund
100	\$4.25	3:38:14	XXXX-1946	IPOF Fund
500	\$4.30	3:48:57*	XXXX-1946	IPOF Fund

\* Last trade of the day

These transactions artificially raised the price of Innotrac five (5) cents a share.

**c. Wash Sales**

21. Dadante, assisted by GLANTZ and others, further manipulated Innotrac's stock price through numerous "wash sales." Wash sales are transactions between parties who are somehow related and thus no actual change in beneficial ownership occurs as a result of the transaction. The effect of a wash sale can be to create the illusion that the stock is being more heavily traded than is actually the case. It can also be utilized to move shares from one account to another in order to meet a margin call. Dadante engaged in wash sales in which he sold shares of Innotrac from one account and purchased those same shares through another account he owned.

22. In addition, Dadante sold shares of Innotrac stock from his own accounts to accounts held by unwitting investors with prearranged prices. The accounts of these investors were controlled by GLANTZ and another registered representative, RR-2. In turn,

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Dadante assisted GLANTZ and RR-2, by purchasing shares from those accounts they controlled when needed. Some examples are as follows:

23. In or about August 2003, FBW placed restrictions on the IPOF Fund for purchases of Innotrac stock from the IPOF Fund account. On or about August 7, 2003, Dadante opened a second account, #XXXX-5843, at FBW, held under the name GSGI, with GLANTZ as the listed registered representative (the "GSGI Stock Account"). GLANTZ knew that Dadante opened this account in order to thwart the restrictions. Dadante subsequently began purchasing shares of Innotrac through the GSGI Stock Account. From on or about August 8, 2003, through on or about August 18, 2003, Dadante purchased shares of Innotrac through the GSGI Stock Account. At the time of the account opening, GLANTZ was aware of the purpose of DADANTE opening the account. Dadante subsequently engaged in the following wash sales between the GSGI Stock Account and the IPOF Fund account at FBW:

a. On or about August 18, 2003, at approximately 2:45:28 p.m., Dadante sold approximately 64,600 shares of Innotrac stock valued at \$6.55 per share that were held in the GSGI Stock Account. These shares were briefly held in an inventory account at FBW and at approximately 2:45:37 (nine seconds after the sale), Dadante purchased the 64,600 shares through FBW account #XXXX-1946, held under the name IPOF Fund. The transaction was reported to the NASD as a "riskless principal transaction." That is, at the time the GSGI Stock Account sold the shares, the IPOF Fund had already agreed to buy them. There is no legitimate economic motive for this transaction, as the ownership of the shares did not change due to the transaction. The only purpose for such a transaction would

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be to artificially increase the price through the appearance of volume, to reduce margin level in one's account, or to generate broker commissions.

b. On or about August 21, 2003, at approximately 11:27 a.m., Dadante sold 43,700 shares from FBW account #XXXX-1946, held under the name IPOF Fund, to the GSGI Stock Account, at a price of \$6.58 per share. GLANTZ was the registered representative on both accounts.

24. On or about December 1, 2004, Dadante received a margin call of \$10,156.00 on his Advest account #WBW-XXXXXX7612, held under the name David A. Dadante. In response to that margin call, GLANTZ arranged for the following transaction (a prohibited pre-arranged trade): on or about December 3, 2004, at approximately 11:53:39 a.m., Dadante sold approximately 77,000 shares of Innotrac at \$8.75 per share from Advest account #WBW-XXXXXX7612. The shares were moved into in an inventory account at FBW. The following transactions, which occurred at approximately 12:42:15 p.m., account for the disbursement of those shares:

25. GLANTZ purchased 30,000 of those shares of Innotrac at a price of \$8.90 for the benefit of FBW account #XXXX-4043, held by a California investor, on which GLANTZ was registered representative.

26. GLANTZ purchased 22,000 of those shares of Innotrac at a price of \$8.90 for the benefit of FBW account #XXXX-6095, held by an individual in Ohio (Ohio Investor-1), on which GLANTZ was registered representative.

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27. GLANTZ purchased the remaining 25,000 of the aforementioned Innotrac shares at a price of \$8.90 for the benefit of FBW account #XXXX-0647, held by an Ohio investor (Ohio Investor-2), on which GLANTZ was registered representative.

Cover-Up of Illegal Transactions

28. GLANTZ violated his duties to his clients because these transactions were not conducted at the prevailing market price and were not conducted for the benefit of the individual clients. Rather, they were executed to assist Dadante and RR-2 with the margin problems at Advest. None of the investors were aware of their purchases of Innotrac.

29. GLANTZ sought to conceal the true nature of these transactions by marking the customers order tickets as unsolicited when, in truth and in fact, the customers did not even know they had ordered the stock.

30. When the FBW Compliance Department confronted GLANTZ regarding these transactions, GLANTZ falsely stated that he engaged in the transaction because he felt it was a good investment for his clients. In truth, and in fact, the transactions were only conducted to assist Dadante in resolving his margin problems at Advest.

Misconduct in Other Client Accounts

31. In addition to the aforementioned manipulative activity and in an effort to support the price of Innotrac, assist Dadante, and/or otherwise generate fees and commissions for his own benefit, GLANTZ engaged in a variety of activities specifically prohibited by the applicable securities regulations and were in violation of the FBW Compliance Manual. These include and are not limited to cross sales, churning, placing

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clients in unsuitable investments, engaging in transactions which were not for the benefit of the individual client, and not properly advising clients.

**Cross-Sales**

32. For instance, on or about September 30, 2004, in response to a margin call on FBW account XXXX-6120, held by an Ohio investor (Ohio Investor-3), on which GLANTZ was listed as the registered representative, GLANTZ directed the sale of 50,000 shares of Innotrac at a price of \$9.00 per share through the following transactions, all of which took place at approximately 4:00 p.m:

33. GLANTZ purchased 25,000 of those shares at a price of \$9.00 for the benefit of FBW account XXXX-6812, held by an Ohio investor (Ohio Investor-4), on which he was the registered representative.

34. GLANTZ purchased 12,000 of those shares at a price of \$9.00 for the benefit of FBW account XXXX-4043, held by a California investor, on which he was the registered representative.

35. GLANTZ purchased 10,000 of those shares at a price of \$9.00 for the benefit of FBW account XXXX-0847, held by an Ohio investor (Ohio Investor-5), on which he was the registered representative.

36. GLANTZ purchased 3,000 of those shares at a price of \$9.00 for the benefit of FBW account XXXX-1883, held by an Ohio investor (Ohio Investor-6), on which he was the registered representative.

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37. The initial accumulation of those shares by Ohio Investor-3, as well as the incurring of margin debt, was not directed by the client, but was solely accumulated at the direction of GLANTZ. In fact, the client did not even know he/she had incurred a large margin debt, did not know there was a margin call on the account, and was unaware the sale of the 50,000 shares of Innotrac was a result of that margin call.

38. Similarly, the sale of these shares from the account and the subsequent purchase in the other accounts was also conducted solely at the direction of GLANTZ through pre-arranged sales. The sale of the 50,000 shares of Innotrac was not taken to the market for sale because the mere presence of this large block of shares on the market would cause the stock price of Innotrac to fall. By pre-arranging the sale, GLANTZ artificially supported the price of Innotrac. This was done in direct contradiction of FBW Compliance Manual Sections 9.10.4 and 9.10.5 which prohibit wash sales and cross transactions "for the purpose of supporting or maintaining the market price of a security."

### III. THE SEC, FBI AND NDOH INVESTIGATION

39. In or about November 2005, the Federal Bureau of Investigation ("FBI") and SEC Midwest Regional Office, both agencies of the United States that are part of the executive branch of the government of the United States, and the United States Attorney Office for the Northern District of Ohio ("NDOH") (hereinafter "USAO"), also a part of the executive branch of the government of the United States, commenced investigations into the IPOF Fund and the Manipulation of Innotrac Stock, including the involvement of Dadante, STEPHEN J. GLANTZ, and others. The investigations focused on whether the trading activity was legitimate and whether some of the stock transactions were authorized. It was

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material to the investigations to determine, among other things, the circumstances surrounding particular transactions, whether these transactions were authorized, and who were the participants involved in executing the transactions.

40. On or about February 1, 2006, Special Agents from the FBI Cleveland Field Office, interviewed the defendant, STEPHEN J. GLANTZ, in Chagrin Falls, Ohio. During the course of that interview, GLANTZ made the following false statements of facts, in substance and in part, and concealed and covered up the following material facts, among others:

41. GLANTZ stated that he had never entered or caused to be entered transactions at the close of the trading day ("Marking the Close" transactions) in Innotrac stock. This statement was false and misleading in that, as GLANTZ well knew but concealed and covered up, he had entered or caused to be entered numerous Marking the Close orders.

42. GLANTZ stated that Dadante had never sold Innotrac stock so neither he nor GLANTZ were involved in any "Wash Sales" of Innotrac stock. This statement was false and misleading in that, as GLANTZ well knew but concealed and covered up, GLANTZ arranged for Dadante's Innotrac stock sales as outlined herein.

43. On or about July 12, 2006, the defendant, STEPHEN J. GLANTZ, accompanied by his lawyers, was interviewed in Cleveland, Ohio, by the SEC, FBI and the USAO. During the course of this interview, GLANTZ made the following false statements of facts, in substance and in part, and concealed and covered up the following material facts, among others:

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44. GLANTZ stated that Dadante did not hold an account in the name GSGI at FBW and denied he had ever seen the account opening documents for the GSGI Account. This statement was false and misleading in that, as GLANTZ well knew, Dadante told GLANTZ about the GSGI Account and GLANTZ had seen the account opening documents.

45. With respect to the sale of 77,000 shares of Innotrac from Dadante's Advest account, #WBWXXXXXX7612, on December 3, 2004 and subsequent purchase by three (3) of GLANTZ's clients, GLANTZ stated that he was unaware of the December 1, 2004, margin call at Advest, that the purchases by GLANTZ' clients were in their best interests and were unrelated to Dadante's margin problems at Advest, and that GLANTZ had not spoken with RR-2 about the transaction. These statements were false and misleading in that, as GLANTZ well knew but concealed and covered up, GLANTZ was aware of the margin call, had discussed the margin issues with RR-2 and Dadante, and had executed the trades in order to assist Dadante.

**COUNT 1**  
**(Securities Fraud)**

46. The United States Attorney further charges:

47. The allegations contained in paragraphs 1 through 38 of this Information are repeated and realleged as if fully set forth herein.

48. From at least in or about August 2002, through in or about November 2005, in the Northern District of Ohio, Eastern Division, and elsewhere, STEPHEN J. GLANTZ, the defendant, unlawfully, willfully, and knowingly, made or caused to be made, directly or indirectly, by the use of means or instrumentality of interstate commerce or the mails, and the facilities of a national securities exchange, engaged in manipulative and deceptive



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devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud, (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit connection with the purchase and sale of securities; to wit: Innotrac stock.

All in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5.

**COUNT 2**  
**(False Statements)**

49. The United States Attorney further charges:

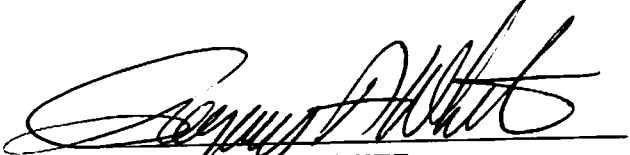
50. The allegations contained in paragraphs 39 through 45 of this Information are repeated and realleged as if fully set forth herein.

51. On or about February 1, 2006, and on or about July 12, 2006, in the Northern District of Ohio, Eastern Division, and elsewhere, STEPHEN J. GLANTZ, defendant herein, unlawfully, willfully, and knowingly, in a matter within the jurisdiction of the executive branch of the Government of the United States, falsified, concealed, and covered up by trick, scheme, and device material facts, and made materially false, fictitious, and fraudulent statements and representations, to wit. GLANTZ participated in interviews with the United States Attorney's Offices for the Northern District of Ohio, the Federal Bureau of

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Investigation. Cleveland, Ohio, and the United States Securities and Exchange Commission.  
in which he made false statements and concealed and covered up material facts.

All in violation of Title 18, Section 1001(a)(2), United States Code.



GREGORY A. WHITE  
UNITED STATES ATTORNEY